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Programme and Budget Committee

Fourteenth session
Vienna, 9-11 September 1998
Item 5 of the provisional agenda

FINANCIAL SITUATION OF UNIDO

1992-1993 unutilized balances

Report by the Director-General

Summary

Requests the suspension of financial regulation 4.2(c) in respect of the cash surplus of the unutilized balance for the 1992-1993 biennium to permit the partial funding of the staff separation programme.

Introduction

1. In document IDB.19/13, Member States w informed of the action taken by the Secretariat in deferring the disbursement of the cash surplus of $1.2 million pertaining to the unutilized balance of appropriations for the 1992-1993 biennium.

2. That action was taken because of the critical cash situation which the Organization faced in early 1998, when cash resources were required to meet UNIDO's obligations to staff under the staff reduction programme mandated by Member States. Notwithstanding the fact that the reduction in staff was an essential prerequisite to achieve a reduction of 20 per cent in the 1998-1999 budget, the Secretariat was not provided with the necessary cash resources to implement the staff separation programme.

3. The proposal contained in this document is intended to regularize the action taken by the Secretariat through the approval of the policy-making organs of the temporary suspension of financial regulation 4.2(c).

I. PROPOSAL FOR THE RETENTION OF THE 1992-1993 SURPLUS

4. As described above, the 1992-1993 cash surplus available as at 31 December 1997 of $1.2 million has been utilized to finance part of the costs of the staff separation programme. These resources were utilized because the level of late paid 1994-1995 assessed contributions and voluntary contributions or advances from Member States to finance the staff separation programme, as requested in General Conference decision GC.7/Dec.17, was not sufficient to pay for staff separations. The voluntary advances, which amounted to approximately $300,000 at

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31 July 1998, are due for repayment before the end of 1998.

5. In order to finance the voluntary separations, the Secretariat sought to utilize all available cash resources for the programme. As at 31 July 1998, the resources used to finance the staff separation programme were as follows:

Financing of the 1998 staff separation programme
As at 31 July 1998

(In millions of US dollars)

(i)	Cash from the payment of 1994-1995 outstanding assessed contributions (December 1997 - July 1998)		4.2
(ii)	Previous balance of the staff separation indemnity reserve (1996)		
	At 31 March 1998	1.9	
	Less: obligations disbursed	0.2	
			1.7
(iii)	Voluntary contributions and advances (to be refunded by end 1998)		0.3
(iv)	Cash surplus from 1992-1993		1.2
(v)	Uncommitted cash (reserves) carried over from 1997		
	At 31 March 1998	2.3	
	Replenishment made	(0.4)	
			1.9
	Cash disbursement as at 31 July 1998		9.3
(vi)	Anticipated cash disbursement - (August-December 1998)		0.9
	Total		**10.2**

6. In view of the fact that the retention of the 1992-1993 surplus ((iv) above) requires the approval of Member States, the Secretariat is requesting the Programme and Budget Committee to recommend the approval of the retention of the cash surplus of 1992-1993 of $1,194,924 ($1.2 million), which was available as at 31 December 1997 for the purpose of partially financing the staff separation programme.

7. In seeking the approval of Member States for the retention of the 1992-1993 surplus, the Secretariat would have wished to suspend regulation 4.2(c) for a period of one year only, thereby surrendering the surplus at the end of 1998. The original intention of the Secretariat at the time the decision to utilize the cash surplus for staff separation was taken was to defer the surrendering of the surplus for a period of one year. However, in view of the continuing cash difficulties facing the Organization and in the absence of adequate cash resource allocations to finance the staff separation programme, the Secretariat is requesting that the temporary suspension of financial regulation 4.2(c) be approved to permit the Organization to retain the cash surplus until resources from late paid assessed contributions are received and cash reserve levels are restored.

8. The proposed retention of the cash surplus is limited to the amount available at 31 December 1997. Cash received since that date in respect of 1992-1993 will be surrendered to Member States in accordance with the financial regulations.

II. ACTION REQUIRED OF THE COMMITTEE

9. The Programme and Budget Committee may wish to consider recommending to the Industrial Development Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of document IDB.20/11-PBC.14/11 providing information on the unutilized balances (cash surplus) for the 1992-1993 biennium;

"(b) Recommends to the General Conference the approval at its eighth session of the temporary suspension of financial regulation 4.2(c) to allow the retention of $1,194,924 of the unutilized balances for 1992-1993 to partially finance the staff separation programme."